

CITY OF TAMA, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2021

CITY OF TAMA, IOWA
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CITY OF TAMA, IOWA
OFFICIALS
June 30, 2021

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Ray	Mayor	January, 2024
Emily Babinat	Mayor Pro-tem	January, 2022
Aaron Haughey	Council Member	January, 2024
Anne Michael	Council Member	January, 2024
Larry Thomas	Council Member	January, 2024
Matthew Beatty	Council Member	January, 2022
Alyssa Devig	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

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KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 27 through 31, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 10, 2021 on our consideration of the City of Tama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Tama's internal control over financial reporting and compliance.

Brnewell, Ben, John & W. P. C.

Atlantic, Iowa
December 10, 2021

CITY OF TAMA, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2021

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,010,883	\$ 259,784	\$ 131,034
Public works	591,867	69,993	430,578
Health and social services	6,696	--	--
Culture and recreation	295,505	21,938	32,027
Community and economic development	148,210	250	30,337
General government	224,283	96,889	9,610
Debt service	420,687	--	--
Capital projects	2,114,104	--	--
Total governmental activities	<u>4,812,235</u>	<u>448,854</u>	<u>633,586</u>
Business type activities:			
Water	337,508	551,798	--
Sewer	347,951	503,785	--
Nonmajor	106,220	42,707	--
Total business type activities	<u>791,679</u>	<u>1,098,290</u>	<u>--</u>
Total	<u>\$ 5,603,914</u>	<u>\$ 1,547,144</u>	<u>\$ 633,586</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$(620,065)	\$ --	\$(620,065)
--	(91,296)	--	(91,296)
--	(6,696)	--	(6,696)
--	(241,540)	--	(241,540)
--	(117,623)	--	(117,623)
--	(117,784)	--	(117,784)
--	(420,687)	--	(420,687)
<u>52,481</u>	<u>(2,061,623)</u>	<u>--</u>	<u>(2,061,623)</u>
<u>52,481</u>	<u>(3,677,314)</u>	<u>--</u>	<u>(3,677,314)</u>
--	--	214,290	214,290
--	--	155,834	155,834
<u>--</u>	<u>--</u>	<u>(63,513)</u>	<u>(63,513)</u>
<u>--</u>	<u>--</u>	<u>306,611</u>	<u>306,611</u>
<u>\$ 52,481</u>	<u>(3,677,314)</u>	<u>306,611</u>	<u>(3,370,703)</u>
	883,789	--	883,789
	308,582	--	308,582
	156,918	--	156,918
	233,423	--	233,423
	81,804	--	81,804
	24,469	5,404	29,873
	1,975,000	--	1,975,000
	280,851	4,584	285,435
	(1,962)	1,962	--
	<u>3,942,874</u>	<u>11,950</u>	<u>3,954,824</u>
	265,560	318,561	584,121
	<u>2,867,771</u>	<u>1,846,574</u>	<u>4,714,345</u>
	<u>\$ 3,133,331</u>	<u>\$ 2,165,135</u>	<u>\$ 5,298,466</u>

CITY OF TAMA, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2021

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Streets		
Employee benefits		
Capital projects		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 64,550	\$ --	\$ 64,550
	53,150	105,246	158,396
	520,794	--	520,794
	211,197	--	211,197
	1,353,367	--	1,353,367
	608,268	--	608,268
	<u>322,005</u>	<u>2,059,889</u>	<u>2,381,894</u>
	<u>\$ 3,133,331</u>	<u>\$ 2,165,135</u>	<u>\$ 5,298,466</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2021

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
Receipts:		
Property tax	\$ 516,266	\$ --
Tax increment financing	--	--
Other city tax	30,526	--
Licenses and permits	93,537	--
Use of money and property	17,994	--
Intergovernmental	153,971	430,578
Charges for service	327,069	--
Miscellaneous	164,773	--
Total receipts	<u>1,304,136</u>	<u>430,578</u>
Disbursements:		
Operating:		
Public safety	742,874	--
Public works	196,709	285,155
Health and social services	6,696	--
Culture and recreation	237,449	--
Community and economic development	30,073	--
General government	129,344	--
Debt service	--	--
Capital projects	--	--
Total disbursements	<u>1,343,145</u>	<u>285,155</u>
Excess (deficiency) of receipts over (under) disbursements	(39,009)	145,423
Other financing sources (uses):		
General obligation bond proceeds	--	--
Transfers in	127,553	--
Transfers out	(10,962)	--
Total other financing sources (uses)	<u>116,591</u>	<u>--</u>
Change in cash balances	77,582	145,423
Cash balances beginning of year	<u>244,423</u>	<u>375,371</u>
Cash balances end of year	<u>\$ 322,005</u>	<u>\$ 520,794</u>

(continued next page)

Exhibit B

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 623,200	\$ 1,139,466
--	156,918	156,918
--	255,802	286,328
--	--	93,537
39,911	1,428	59,333
16,067	48,666	649,282
--	--	327,069
<u>159,962</u>	<u>68,089</u>	<u>392,824</u>
<u>215,940</u>	<u>1,154,103</u>	<u>3,104,757</u>
--	268,009	1,010,883
--	110,003	591,867
--	--	6,696
--	58,056	295,505
--	118,137	148,210
--	94,939	224,283
--	420,687	420,687
<u>2,114,104</u>	<u>--</u>	<u>2,114,104</u>
<u>2,114,104</u>	<u>1,069,831</u>	<u>4,812,235</u>
(1,898,164)	84,272	(1,707,478)
1,975,000	--	1,975,000
--	129,215	256,768
<u>(52,965)</u>	<u>(194,803)</u>	<u>(258,730)</u>
<u>1,922,035</u>	<u>(65,588)</u>	<u>1,973,038</u>
23,871	18,684	265,560
<u>1,329,496</u>	<u>918,481</u>	<u>2,867,771</u>
<u>\$ 1,353,367</u>	<u>\$ 937,165</u>	<u>\$ 3,133,331</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2021

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ --
Restricted for:		
Debt service	--	--
Streets	--	520,794
Employee benefits	--	--
Capital projects	--	--
Other purposes	--	--
Unassigned	<u>322,005</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 322,005</u>	<u>\$ 520,794</u>

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 64,550	\$ 64,550
--	53,150	53,150
--	--	520,794
--	211,197	211,197
1,353,367	--	1,353,367
--	608,268	608,268
<u>--</u>	<u>--</u>	<u>322,005</u>
<u>\$ 1,353,367</u>	<u>\$ 937,165</u>	<u>\$ 3,133,331</u>

CITY OF TAMA, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2021

	Enterprise	
	Water	Sewer
Operating Receipts:		
Charges for service	\$ 551,798	\$ 503,785
Total operating receipts	551,798	503,785
Operating Disbursements:		
Business type activities	337,508	338,818
Total operating disbursements	337,508	338,818
Excess of operating receipts over operating disbursements	214,290	164,967
Non-operating receipts (disbursements):		
Interest on investments	2,028	3,189
Miscellaneous	498	4,086
Debt service	--	--
Capital projects	--	--
Total non-operating receipts (disbursements), net	2,526	7,275
Excess (deficiency) of receipts over (under) disbursements	216,816	172,242
Other financing sources (uses):		
Transfers in	1,962	--
Transfers out	(60,560)	(105,260)
Total other financing sources (uses)	(58,598)	(105,260)
Change in cash balances	158,218	66,982
Cash balances beginning of year	499,895	678,018
Cash balances end of year	\$ 658,113	\$ 745,000
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$ --	\$ --
Unrestricted	658,113	745,000
Total cash basis fund balances	\$ 658,113	\$ 745,000

The accompanying notes are an integral part of these statements.

Enterprise		
<u>Sewer Replacement</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 42,707	\$ 1,098,290
--	42,707	1,098,290
--	--	676,326
--	--	676,326
--	42,707	421,964
--	187	5,404
--	--	4,584
--	(102,020)	(102,020)
(9,133)	(4,200)	(13,333)
(9,133)	(106,033)	(105,365)
(9,133)	(63,326)	316,599
25,000	140,820	167,782
--	--	(165,820)
25,000	140,820	1,962
15,867	77,494	318,561
286,223	382,438	1,846,574
\$ 302,090	\$ 459,932	\$ 2,165,135
\$ --	\$ 105,246	\$ 105,246
302,090	354,686	2,059,889
\$ 302,090	\$ 459,932	\$ 2,165,135

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tama, Iowa is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tama has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported and budgeted as part of the City as a permanent fund.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a permanent fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds or nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Sewer Replacement Fund accounts for the capital projects related to the City's sewer replacement improvements.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

At June 30, 2021, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
United States Savings Bonds Series HH	\$ 1,500	\$ 1,500	Nov. 2020-Oct. 2021

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the U.S. Savings Bonds Series HH securities was determined using quoted market prices. (Level 1 inputs)

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation					
Bonds/Notes	\$ 1,863,684	\$ 1,975,000	\$ 365,898	\$ 3,472,786	\$ 231,732
Governmental Activities					
Total	\$ 1,863,684	\$ 1,975,000	\$ 365,898	\$ 3,472,786	\$ 231,732
Business Type Activities:					
Water Revenue Bonds	\$ 438,000	\$ --	\$ 38,000	\$ 400,000	\$ 39,000
Sewer Revenue Bonds	713,000	--	41,000	672,000	42,000
Business Type Activities					
Total	\$ 1,151,000	\$ --	\$ 79,000	\$ 1,072,000	\$ 81,000

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds/Note

A summary of the City's June 30, 2021 general obligation bonds and note payable is as follows:

Year Ending June 30,	Refunding Bonds Issued July 1, 2012			Fire Truck Loan Issued December 1, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.10%	\$ 100,000	\$ 6,900	2.70%	\$ 31,732	\$ 2,640
2023	2.30%	100,000	4,800	2.70%	32,588	1,784
2024	2.50%	100,000	2,500	2.70%	33,466	906
2025		--	--		--	--
2026		--	--		--	--
2027-2031		--	--		--	--
2032		--	--		--	--
		<u>\$ 300,000</u>	<u>\$ 14,200</u>		<u>\$ 97,786</u>	<u>\$ 5,330</u>

Year Ending June 30,	Corporate Purpose and Refunding Bond Issued September 7, 2017			Corporate Purpose Bond Issued November 24, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.59%	\$ 100,000	\$ 28,490	0.73%	\$ --	\$ 14,418
2023	2.59%	100,000	25,900	0.73%	1,975,000	14,417
2024	2.59%	100,000	23,310		--	--
2025	2.59%	100,000	20,720		--	--
2026	2.59%	100,000	18,130		--	--
2027-2031	2.59%	500,000	51,800		--	--
2032	2.59%	100,000	2,590		--	--
		<u>\$1,100,000</u>	<u>\$ 170,940</u>		<u>\$1,975,000</u>	<u>\$ 28,835</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 231,732	\$ 52,448	\$ 284,180
2023	2,207,588	46,901	2,254,489
2024	233,466	26,716	260,182
2025	100,000	20,720	120,720
2026	100,000	18,130	118,130
2027-2031	500,000	51,800	551,800
2032	100,000	2,590	102,590
	<u>\$3,472,786</u>	<u>\$ 219,305</u>	<u>\$3,692,091</u>

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

On July 1, 2012, the City issued \$975,000 of general obligation bonds with interest rates ranging from 0.70% to 2.50% per annum. The bonds were issued for refunding prior general obligation bonds. During the year ended June 30, 2021, the City paid \$100,000 of principal and \$8,750 of interest on the bonds. The bonds mature in fiscal year 2024.

On December 1, 2014, the City issued \$275,000 of general obligation fire truck loan notes with an interest rate of 2.70%. The notes were issued for the purchase of a fire truck. During the year ended June 30, 2021, the City paid \$30,898 of principal and \$3,474 of interest on the notes. The notes mature in fiscal year 2024.

On September 7, 2017, the City issued \$1,910,000 of general obligation corporate purpose bonds with an interest rate of 2.59%. The bonds were issued for refunding prior general obligation bonds and for street projects. During the year ended June 30, 2021, the City paid \$235,000 of principal and \$34,576 of interest on the bonds. The bonds mature in fiscal year 2032.

On November 24, 2020, the City issued \$1,975,000 of general obligation corporate purpose bonds with an interest rate of 0.73%. The bonds were issued for capital improvement projects. During the year ended June 30, 2021, the City paid \$ - 0 - of principal and \$7,489 of interest on the bonds. The bonds mature in fiscal year 2023.

Revenue Bonds

Year Ending June 30,	Water			Sewer		
	Issued December 9, 2009			Issued October 23, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 39,000	\$ 7,000	1.75%	\$ 42,000	\$ 11,760
2023	1.75%	40,000	6,318	1.75%	43,000	11,025
2024	1.75%	42,000	5,617	1.75%	44,000	10,273
2025	1.75%	43,000	4,883	1.75%	45,000	9,502
2026	1.75%	44,000	4,130	1.75%	46,000	8,715
2027-2031	1.75%	192,000	8,522	1.75%	241,000	31,255
2032-2035		--	--	1.75%	211,000	9,345
		<u>\$ 400,000</u>	<u>\$ 36,470</u>		<u>\$ 672,000</u>	<u>\$ 91,875</u>
Year Ending June 30,	Total					
	Principal	Interest	Total			
2022	\$ 81,000	\$ 18,760	\$ 99,760			
2023	83,000	17,343	100,343			
2024	86,000	15,890	101,890			
2025	88,000	14,385	102,385			
2026	90,000	12,845	102,845			
2027-2031	433,000	39,777	472,777			
2032-2035	<u>211,000</u>	<u>9,345</u>	<u>220,345</u>			
	<u>\$1,072,000</u>	<u>\$ 128,345</u>	<u>\$1,200,345</u>			

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

On December 9, 2009, the City issued \$836,000 of water revenue bonds to provide financing for the repair and improvement to the water system. The bonds bear interest at 1.75%, per annum, and are payable through 2030. During the year ended June 30, 2021, the City paid principal of \$38,000 and interest of \$7,665 on the bonds.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$836,000 of water revenue bonds issued in December 2009. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are expected to require approximately 21% of the net receipts. The total principal and interest remaining to be paid on the bonds is \$462,520. For the current year, principal and interest paid and total customer net receipts were \$45,665 and \$214,290, respectively.

On October 23, 2015, the City issued \$1,037,000 of sewer revenue bonds to provide financing for the construction of improvements to the sewer treatment plant. The bonds bear interest at 1.75%, per annum, and are payable through 2035. During the year ended June 30, 2021, the City paid principal of \$41,000 and interest of \$12,477 on the bonds.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,037,000 of sewer revenue bonds issued in October 2015. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require approximately 32% of net receipts. The total principal and interest remaining to be paid on the notes is \$763,875. For the current year, principal and interest paid and total customer net receipts were \$53,477 and \$164,967, respectively.

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly deposits and transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - PENSION PLAN - Continued

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - PENSION PLAN - Continued

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$89,231.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$445,661 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.006344%, which was an increase of 0.000578% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$117,042, \$159,724 and \$79,413 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - PENSION PLAN - Continued

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	<u>\$ 978,740</u>	<u>\$ 445,661</u>	<u>\$(1,012)</u>

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - PENSION PLAN - Continued

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 5 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The City's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

The City's fiduciary responsibility is limited to due care in selecting contractors to administer the Plan. These contractors are responsible for withholdings and W-2s when the participants receive payments. The contractors are also required to submit an annual report to the City. The City is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant. The Plan assets are not included in the financial statements since the City does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and comp time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 25,500
Comp time	<u>9,400</u>
	<u>\$ 34,900</u>

The liability has been computed based on rates of pay as of June 30, 2021.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Emergency	18,870
	Tax Increment Financing	12,683
	Capital Projects	42,000
		<u>127,553</u>
Special Revenue:	General	9,000
Trust & Agency		
Debt Service	Special Revenue:	
	Local Option Sales Tax	109,250
	Capital Projects	10,965
		<u>120,215</u>
Enterprise:	General	1,962
Water		
Enterprise:	Enterprise:	
Water Revenue Bond	Water	46,760
Enterprise:	Enterprise:	
Sewer Rehabilitation	Sewer	25,000
Enterprise:	Enterprise:	
Sewer Revenue Bond	Sewer	55,260
Enterprise:	Enterprise:	
Sewer Replacement	Sewer	25,000
Enterprise:	Enterprise:	
Water Meter	Water	13,800
		<u>\$ 424,550</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 - RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$37,851.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, property coverage and automobile liability in the amount of \$500,000, \$11,441,100, and \$1,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$274,380 and plan members eligible for benefits contributed \$ - 0 - to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>16</u>
Total	<u><u>16</u></u>

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 10 - COMMITMENTS AND CONTINGENCY

Capital Commitments

The City has committed funds for street projects with an estimated cost of \$4,000. The street projects will be paid from existing funds.

Subsequent Events

The City has evaluated all subsequent events through December 10, 2021, the date the financial statements were available to be issued.

NOTE 11 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$34,716 during the year ended June 30, 2021.

NOTE 12 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, \$54,485 of property tax was diverted from the City under the urban renewal and economic development projects.

CITY OF TAMA, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 13 - COVID-19

In March, 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Tama, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Tama. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Tama.

* * *

OTHER INFORMATION

CITY OF TAMA, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2021

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 1,139,466	\$ --	\$ 1,139,466
Tax increment financing	156,918	--	156,918
Other city tax	286,328	--	286,328
Licenses and permits	93,537	--	93,537
Use of money and property	59,333	5,404	64,737
Intergovernmental	649,282	--	649,282
Charges for service	327,069	1,098,290	1,425,359
Special assessments	--	--	--
Miscellaneous	392,824	4,584	397,408
Total receipts	<u>3,104,757</u>	<u>1,108,278</u>	<u>4,213,035</u>
Disbursements:			
Public safety	1,010,883	--	1,010,883
Public works	591,867	--	591,867
Health and social services	6,696	--	6,696
Culture and recreation	295,505	--	295,505
Community and economic development	148,210	--	148,210
General government	224,283	--	224,283
Debt service	420,687	--	420,687
Capital projects	2,114,104	--	2,114,104
Business type activities	--	791,679	791,679
Total disbursements	<u>4,812,235</u>	<u>791,679</u>	<u>5,603,914</u>
Excess (deficiency) of receipts over (under) disbursements	(1,707,478)	316,599	(1,390,879)
Other financing sources, net	<u>1,973,038</u>	<u>1,962</u>	<u>1,975,000</u>
Change in balances	265,560	318,561	584,121
Balances beginning of year	<u>2,867,771</u>	<u>1,846,574</u>	<u>4,714,345</u>
Balances end of year	<u>\$ 3,133,331</u>	<u>\$ 2,165,135</u>	<u>\$ 5,298,466</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
\$ 1,191,845	\$ 1,191,845	\$ (52,379)
197,712	197,712	(40,794)
215,211	215,211	71,117
18,025	18,025	75,512
74,050	74,050	(9,313)
613,152	613,152	36,130
1,324,771	1,324,771	100,588
6,000	6,000	(6,000)
118,550	357,550	39,858
<u>3,759,316</u>	<u>3,998,316</u>	<u>214,719</u>
992,141	1,097,141	86,258
667,953	667,953	76,086
10,500	10,500	3,804
332,086	332,086	36,581
339,000	339,000	190,790
213,515	271,015	46,732
413,200	420,690	3
631,500	3,273,000	1,158,896
1,009,765	1,259,765	468,086
<u>4,609,660</u>	<u>7,671,150</u>	<u>2,067,236</u>
(850,344)	(3,672,834)	2,281,955
<u>--</u>	<u>1,975,000</u>	<u>--</u>
(850,344)	(1,697,834)	2,281,955
<u>4,067,432</u>	<u>8,781,776</u>	<u>(4,067,431)</u>
<u>\$ 3,217,088</u>	<u>\$ 7,083,942</u>	<u>\$ (1,785,476)</u>

CITY OF TAMA, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,061,490. The budget amendment is reflected in the final budgeted amounts.

See accompanying independent auditor's report.

CITY OF TAMA, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST SEVEN YEARS*

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.006344%	0.005766%
City's proportionate share of the net pension liability	\$ 446,000	\$ 334,000
City's covered payroll	\$ 887,000	\$ 897,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	50.28%	37.24%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.006644%	0.006614%	0.006563%	0.005439%	0.004474%
\$ 420,000	\$ 441,000	\$ 413,000	\$ 269,000	\$ 177,000
\$ 826,000	\$ 813,000	\$ 783,000	\$ 788,000	\$ 754,000
50.85%	54.24%	52.75%	34.14%	23.47%
83.62%	82.21%	81.82%	85.19%	87.61%

CITY OF TAMA, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 89,000	\$ 86,000	\$ 88,000	\$ 78,000
Contributions in relation to the statutorily required contribution	<u>(89,000)</u>	<u>(86,000)</u>	<u>(88,000)</u>	<u>(78,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 931,000	\$ 887,000	\$ 897,000	\$ 826,000
Contributions as a percentage of covered payroll	9.56%	9.70%	9.92%	9.44%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 76,000	\$ 73,000	\$ 75,000	\$ 71,000	\$ 67,000	\$ 63,000
<u>(76,000)</u>	<u>(73,000)</u>	<u>(75,000)</u>	<u>(71,000)</u>	<u>(67,000)</u>	<u>(63,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 813,000	\$ 783,000	\$ 788,000	\$ 754,000	\$ 710,000	\$ 707,000
9.35%	9.32%	9.52%	9.42%	9.44%	8.91%

CITY OF TAMA, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

SUPPLEMENTARY INFORMATION

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2021

	Special Revenue		
	Employee	Local	
	Benefits	Option	
		Sales Tax	Emergency
Receipts:			
Property tax	\$ 303,018	\$ --	\$ 15,099
Tax increment financing	--	--	--
Other city tax	17,961	233,423	919
Use of money and property	611	--	--
Intergovernmental	22,267	--	960
Miscellaneous	--	--	--
Total receipts	<u>343,857</u>	<u>233,423</u>	<u>16,978</u>
Disbursements:			
Operating:			
Public safety	216,025	--	--
Public works	110,003	--	--
Culture and recreation	43,796	--	--
Community and economic development	--	--	--
General government	40,695	--	--
Debt service	--	--	--
Total disbursements	<u>410,519</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(66,662)	233,423	16,978
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	<u>--</u>	<u>(163,250)</u>	<u>(18,870)</u>
Total other financing sources (uses)	<u>--</u>	<u>(163,250)</u>	<u>(18,870)</u>
Change in cash balances	(66,662)	70,173	(1,892)
Cash balances, beginning of year	<u>277,859</u>	<u>241,738</u>	<u>1,892</u>
Cash balances, end of year	<u>\$ 211,197</u>	<u>\$ 311,911</u>	<u>\$ --</u>

(continued next page)

<u>Special Revenue</u>			<u>Permanent</u>	
<u>Tax</u>			<u>Cemetery</u>	
<u>Increment</u>	<u>Trust &</u>	<u>Debt</u>	<u>Perpetual</u>	<u>Total</u>
<u>Financing</u>	<u>Agency</u>	<u>Service</u>	<u>Care</u>	
\$ --	\$ --	\$ 305,083	\$ --	\$ 623,200
156,918	--	--	--	156,918
--	--	3,499	--	255,802
--	641	--	176	1,428
--	4,883	20,556	--	48,666
--	65,089	--	3,000	68,089
<u>156,918</u>	<u>70,613</u>	<u>329,138</u>	<u>3,176</u>	<u>1,154,103</u>
--	51,984	--	--	268,009
--	--	--	--	110,003
--	13,991	--	269	58,056
114,367	3,770	--	--	118,137
--	54,244	--	--	94,939
--	--	420,687	--	420,687
<u>114,367</u>	<u>123,989</u>	<u>420,687</u>	<u>269</u>	<u>1,069,831</u>
42,551	(53,376)	(91,549)	2,907	84,272
--	9,000	120,215	--	129,215
(12,683)	--	--	--	(194,803)
(12,683)	9,000	120,215	--	(65,588)
29,868	(44,376)	28,666	2,907	18,684
<u>19,016</u>	<u>291,849</u>	<u>24,484</u>	<u>61,643</u>	<u>918,481</u>
<u>\$ 48,884</u>	<u>\$ 247,473</u>	<u>\$ 53,150</u>	<u>\$ 64,550</u>	<u>\$ 937,165</u>

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2021

	<u>Special Revenue</u>		
	<u>Employee</u>	<u>Local</u>	
	<u>Benefits</u>	<u>Option</u>	
		<u>Sales Tax</u>	<u>Emergency</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Debt service	--	--	--
Employee benefits	211,197	--	--
Restricted for other purposes	<u>--</u>	<u>311,911</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 211,197</u>	<u>\$ 311,911</u>	<u>\$ --</u>

See accompanying independent auditor's report.

<u>Special Revenue</u>			<u>Permanent</u>	
<u>Tax</u>	<u>Trust &</u>	<u>Debt</u>	<u>Cemetery</u>	
<u>Increment</u>	<u>Agency</u>	<u>Service</u>	<u>Perpetual</u>	<u>Total</u>
<u>Financing</u>			<u>Care</u>	
\$ --	\$ --	\$ --	\$ 64,550	\$ 64,550
--	--	53,150	--	53,150
--	--	--	--	211,197
<u>48,884</u>	<u>247,473</u>	<u>--</u>	<u>--</u>	<u>608,268</u>
<u>\$ 48,884</u>	<u>\$ 247,473</u>	<u>\$ 53,150</u>	<u>\$ 64,550</u>	<u>\$ 937,165</u>

CITY OF TAMA, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NON-MAJOR PROPRIETARY FUNDS

As of and for the year ended June 30, 2021

	<u>Enterprise</u>	
	<u>Water Meter</u>	<u>Water Revenue Bond</u>
Operating Receipts:		
Charges for service	\$ --	\$ --
Total operating receipts	--	--
Non-operating receipts (disbursements):		
Interest on investments	--	--
Debt service	--	(46,760)
Capital projects	--	--
Total non-operating receipts (disbursements), net	--	(46,760)
Excess (deficiency) of receipts over (under) disbursements	--	(46,760)
Transfers in	13,800	46,760
Change in cash balances	13,800	--
Cash balance beginning of year	72,450	95,874
Cash balance end of year	<u>\$ 86,250</u>	<u>\$ 95,874</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ 95,874
Unrestricted	86,250	--
Total cash basis fund balances	<u>\$ 86,250</u>	<u>\$ 95,874</u>

See accompanying independent auditor's report.

Enterprise			
<u>Sewer Rehabilitation</u>	<u>Sewer Revenue Bond</u>	<u>Storm Water</u>	<u>Total</u>
\$ --	\$ --	\$ 42,707	\$ 42,707
--	--	42,707	42,707
--	--	187	187
--	(55,260)	--	(102,020)
(4,200)	--	--	(4,200)
(4,200)	(55,260)	187	(106,033)
(4,200)	(55,260)	42,894	(63,326)
25,000	55,260	--	140,820
20,800	--	42,894	77,494
158,193	9,372	46,549	382,438
<u>\$ 178,993</u>	<u>\$ 9,372</u>	<u>\$ 89,443</u>	<u>\$ 459,932</u>
\$ --	\$ 9,372	\$ --	\$ 105,246
178,993	--	89,443	354,686
<u>\$ 178,993</u>	<u>\$ 9,372</u>	<u>\$ 89,443</u>	<u>\$ 459,932</u>

CITY OF TAMA, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Receipts:				
Property tax	\$ 1,139,466	\$ 1,068,123	\$ 1,174,172	\$ 1,112,113
Tax increment financing	156,918	172,763	186,034	203,626
Other city tax	286,328	240,661	213,718	170,766
Licenses and permits	93,537	59,756	18,137	20,032
Use of money and property	59,333	67,485	57,523	57,624
Intergovernmental	649,282	711,134	722,504	1,364,211
Charges for service	327,069	330,012	323,807	352,903
Special assessments	--	--	--	7,505
Miscellaneous	<u>392,824</u>	<u>217,803</u>	<u>257,197</u>	<u>196,389</u>
Total	<u>\$ 3,104,757</u>	<u>\$ 2,867,737</u>	<u>\$ 2,953,092</u>	<u>\$ 3,485,169</u>
Disbursements:				
Operating:				
Public safety	\$ 1,010,883	\$ 1,069,824	\$ 1,093,325	\$ 808,711
Public works	591,867	614,906	566,590	546,052
Health and social services	6,696	4,898	8,437	4,092
Culture and recreation	295,505	307,771	301,716	297,076
Community and economic development	148,210	297,794	304,162	218,879
General government	224,283	170,874	186,922	195,544
Debt service	420,687	410,578	417,701	810,696
Capital projects	<u>2,114,104</u>	<u>170,408</u>	<u>253,331</u>	<u>2,109,319</u>
Total	<u>\$ 4,812,235</u>	<u>\$ 3,047,053</u>	<u>\$ 3,132,184</u>	<u>\$ 4,990,369</u>

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,066,283	\$ 1,094,895	\$ 1,053,390	\$ 967,750	\$ 891,756	\$ 851,460
186,813	7,807	14,996	6,019	240	9,800
231,653	238,812	207,539	210,636	238,469	178,776
20,796	24,710	22,905	23,670	19,993	21,399
45,388	20,092	19,859	27,902	34,758	40,330
633,104	604,416	652,834	471,926	730,294	393,496
331,957	339,317	363,675	311,556	340,821	343,635
16,177	13,346	12,378	9,856	19,616	--
<u>210,827</u>	<u>147,642</u>	<u>165,295</u>	<u>143,842</u>	<u>151,271</u>	<u>135,543</u>
<u>\$ 2,742,998</u>	<u>\$ 2,491,037</u>	<u>\$ 2,512,871</u>	<u>\$ 2,173,157</u>	<u>\$ 2,427,218</u>	<u>\$ 1,974,439</u>
\$ 755,107	\$ 886,504	\$ 782,734	\$ 830,619	\$ 826,533	\$ 710,605
610,528	628,653	522,113	529,197	567,921	557,856
4,650	5,231	4,008	4,060	1,771	5,155
267,635	294,478	249,707	270,807	288,261	285,554
302,446	285,287	120,671	111,638	532,168	57,421
185,423	167,929	157,355	165,055	167,560	156,333
286,846	284,351	237,804	256,801	1,232,405	255,354
<u>214,382</u>	<u>21,305</u>	<u>556,140</u>	<u>88,137</u>	<u>58,682</u>	<u>475,411</u>
<u>\$ 2,627,017</u>	<u>\$ 2,573,738</u>	<u>\$ 2,630,532</u>	<u>\$ 2,256,314</u>	<u>\$ 3,675,301</u>	<u>\$ 2,503,689</u>

CITY OF TAMA, IOWA
SCHEDULE OF LEGAL DEBT MARGIN
June 30, 2021

Valuation of City as of January 1, 2019	\$ 115,487,751
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	5,774,388
General obligation indebtedness outstanding as of June 30, 2021	<u>3,472,786</u>
Legal Debt Margin	<u>\$ 2,301,602</u>

See accompanying independent auditor's report.

CITY OF TAMA, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

<u>Grantor/Program</u>	<u>Assistance Listings Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of the Treasury:			
Iowa Department of Administrative Services:			
Coronavirus Relief Fund	21.019	00465	\$ 64,930
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4557DR-IA	<u>1,297,717</u>
Total expenditures of federal awards			<u>\$ 1,362,647</u>

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Tama under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Tama, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Tama.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City of Tama has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 10, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tama's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: II-A-21

To the Honorable Mayor and
Members of the City Council

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Responses to Findings

The City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Tama's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ben, Kynan & W.P.C.

Atlantic, Iowa
December 10, 2021

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Tama, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Tama's major federal program for the year ended June 30, 2021. The City of Tama's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Tama's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Tama's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Tama's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on the Major Federal Program

In our opinion, the City of Tama complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The management of the City of Tama is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Tama's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gregory A. Ben, CPA

Atlantic, Iowa
December 10, 2021

CITY OF TAMA, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listings Number 97.036 - Disaster Grants - Public Assistance (Presidentially Declared Disasters).
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Tama did not qualify as a low-risk auditee.

CITY OF TAMA, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-21 Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect: Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response: We will continue to review and monitor ways to improve segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

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CITY OF TAMA, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PART III: Findings and Questioned Costs For Federal Awards

Assistance Listing Number 97.036: Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Award Year: 2021
U.S. Department of Homeland Security
Passed through Iowa Department of Homeland Security and Emergency Management

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Required Statutory Reporting

IV-A-21 Certified Budget: Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.

IV-B-21 Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-21 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

IV-D-21 Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Aaron Haughey, City Council Member, Owner of Haughey Construction	Construction per bid	\$ 34,716

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transaction with the City Council Member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

IV-E-21 Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-21 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

CITY OF TAMA, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PART IV: Other Findings Related to Required Statutory Reporting - Continued

IV-G-21 City Council Minutes: No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-H-21 Deposits and Investments: We noted no instances of non-compliance with the City's investment policy. A resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa, however, the City held deposits in one bank account in excess of the approved amounts per the City's depository resolution.

Recommendation: The City should have amended their depository resolution before deposits exceeded approved amounts.

Response: The depository resolution will be amended.

Conclusion: Response accepted.

IV-I-21 Revenue Bonds: No instances of non-compliance with revenue bond resolutions were noted.

IV-J-21 Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

IV-K-21 Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.

CITY OF TAMA, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PART IV: Other Findings Related to Required Statutory Reporting - Continued

IV-L-21 Economic Development: During the year ended June 30, 2021, the City paid \$5,754 to Tama County Economic Development, a chamber of commerce type organization. The City Council has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Council should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

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